

REPORT TO THE LEGISLATURE
February 1, 2002

Wage Increases for Nursing Homes
Low-wage Direct Care Workers

Chapter 7, Laws of 2001, Section 206(13)

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Legislative Report Wage Increases for Nursing Homes Low-Wage Direct Care Workers

BACKGROUND

Section 206 (13) of Engrossed Substitute Senate Bill (ESSB) 6153, the Omnibus Operating Budget states, in part, that funds:

... are provided solely for prospective rate increases intended to increase compensation for low-wage workers in nursing homes which contract with the state. For fiscal year 2002, the department shall add forty-five cents per patient day to the direct care rate which would otherwise be paid to each nursing facility in accordance with chapter 74.46 RCW. For fiscal year 2003, the department shall increase the median price per case-mix unit for each of the applicable peer groups by six-tenths of one percent in order to distribute the available funds. In consultation with the statewide associations representing nursing facilities, the department shall establish a mechanism for testing the extent to which funds have been used for this purpose, and report the results to the fiscal committees of the legislature by February 1, 2002.

Additionally, the Expenditure Detail Report from the budget states the following for DSHS, Long-Term Care (Agency 300, Program 050):

6. Long-Term Care Worker Wages - Funding is provided to increase pay for low-wage workers who provide direct care for elderly and disabled persons in their own homes, in nursing homes, and in community residential programs. When combined with the vendor rate increases funded above, funding is sufficient to increase hourly wages an average of 50 cents effective July 1, 2001 for home-care workers, nurses aides, and residential care staff currently earning less than \$10 per hour.

INTRODUCTION

On July 1, 2001 the department prospectively increased the direct care component of Medicaid rates for nursing homes by forty-five cents per ESSB 6153. In August, the department participated in a series of presentations to the industry regarding the results of the 2001 legislative session. In conjunction with these presentations, open discussions were held regarding the salary increase funding. Through subsequent discussions with the Washington Health Care Association and the Washington Association of Housing and Services for the Aging, the two statewide nursing home associations, a survey was developed and sent out to all nursing homes with Medicaid contracts.

The survey was designed to determine which classifications of employees received increases and how those increases were distributed. The survey also included sections for narrative response and a peer group question to validate response coverage.

FINDINGS

The breakdown of the peer group question indicated that 20 out of 65, or 31% of the facilities in High-cost Urban Counties responded; 38 out of 119, or 32% of the facilities in Urban Counties responded; and 21 out of 73, or 29% of Nonurban Counties responded. Overall, this amounted to a 31% response rate. Based on the total surveys returned and the mix by peer group, the respondents appear to be a representative sample of the industry as a whole.

- Of the facilities that responded:
 - 76% reported using the funding to provide for salary increases
 - 97% of these provided increases to Nursing Assistants (NAs)
 - 83% to Licensed Practical Nurses (LPNs)
 - 78% to Registered Nurses (RNs)
 - 50% provided increases to other groups
- Of the 60 facilities that provided increases:
 - 88% of the increases were in wages
 - 12% in incentives and bonuses
 - 1 facility enhanced benefits
 - 2 facilities indicated they hired additional staff
 - 7 provided increases only to NAs
 - 2 provided no increases to NAs
- Of the 58 facilities that provided increases to NAs:
 - 41% provided greater percentage increases to NAs than to other staff
 - 17% provided lesser percentage increases to NAs than to other staff

Nursing Assistant's salary increases varied from 2% to 14%. The majority of these increases were in the 3% to 5% range.

Non-salary increases included bonuses, attendance incentives and recruiting rewards.

Here are a few of the comments that were included on the survey responses.

- ◆ The loss of professional staff RNs and LPNs became critical. We were forced to use agency nurses and others to cover shifts. We had to raise RN & LPN salaries to be more competitive. The best way to improve patient care is to stabilize the staff. Until Nursing Assistants, RN & LPNs are encouraged to stay in Long Term Care by real wage increases we will not have the stability we need and should provide to our seniors.
- ◆ The Senate Bill 6153 did not provide all funds to increase the hourly rate for our employees, but it did help. We had to do this to recruit and retain employees.
- ◆ Unfortunately the gap between our wages and DSHS funding is increasing. [We are] currently paying wages and providing benefits that far exceed those that are "covered" by DSHS. Our costs per day in direct care for 2000 were \$86.96 while our DSHS payment was only \$79.62. This is a difference of \$7.34 per day. Rephrased, there was a short fall of about \$252,155 of direct costs that DSHS DID NOT PAY FOR IN 2000.
- ◆ We felt it was important to make sure the employees received an increase in compensation based on the Direct Care rate increase. However, we found it necessary to do a bonus as opposed to an increase to the hourly wage being we were not sure whether we could depend on the portion of the Direct Care component continuing to be built into the rate. While we carried out the same formula and bonus system to our professional nursing staff in addition to the employees listed in the "Other" category, it is important that you know that we actually ended up spending more on our employees with this bonus system than what we received from the State. We do not want anyone to think that by giving this extra compensation to our professional nursing staff that we neglected the spirit of the increase by not solely focusing on those employees that made less than \$10.00 per hour.

- ◆ The money was insignificant and not helpful because a few cents makes no impact.
- ◆ It's not enough, you're bleeding us dry by paying us 85 cents on the dollar! Help!
- ◆ We have a commitment to offer competitive wages. If we were expecting to survive on this small increases the state has seen fit to dole out, we would not compete, be able to attract quality help, etc. We are grateful for any help the state can give us as we lose money every day with our Medicaid residents. However, the job market/competition is the driving force for our wages.
- ◆ Since giving increases on 8/25/01 we have had a DECREASE in turnover!
- ◆ The course [6-sessions CNAII] was initiated to establish a career ladder for CNAs. This provided incentive and professional pride. 60% of staff completed the course.
- ◆ We have already seen a dramatic decrease in CNAs turnover since our wage now starts @ \$9.00 per hour with annual raises.
- ◆ Permanent salary changes could not be funded by one-time reimbursement without future guarantees.
- ◆ If the Governor's cuts go into effect then all the raises, even though small, that were given will have to be taken back.

CONCLUSION

It is apparent that some increases would have taken place regardless of the funding and there was little differentiation between those increases and increases due to the additional funding. Facilities that did not provide salary increases fell into two categories. One-third provided no salary increases with the funds provided due to already spending well over the lid. The other two-thirds had already provided enhancements within the past year and used the additional funding to cover those increases.

A recurring factor in the review was the resistance by many facilities to limit increases to low-wage direct care staff only. Most facilities provided increases for other classifications as well.

Some facilities indicated that the increase didn't come close to covering their needs, but they appreciated the recognition that staff salaries are an increasingly significant and ominous challenge to deal with in today's competitive market.